

Guideline for Utilizing RWA Tokens

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Japan Cryptoasset Business Association

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Chapter 1 General Comments

1. Outline of the Guideline

(1) Background and purpose

Distributed ledger technology, including blockchain technology, is a new technology that records information correctly, and has created tokens that can be used as a medium to transfer digital data without tampering or double transfer in the digital world. By having these tokens represent property rights related to tangible assets and intangible assets (hereinafter referred to as “**Real-World Assets**”), property rights¹ can be transferred through the transfer of the tokens.² In the digital world, the technological foundation for building the social infrastructure of capitalism, which is the transfer of property rights, is being prepared.

In general, tokens have the following features. By linking Real-World Assets with tokens, it is possible to hold and transfer Real-World Assets in a form that has been difficult in the past. This will lead to the creation of new business opportunities.

- It will be easier to transfer (distribute), including cross-border transactions
- It will be easier to divide (miniaturization)³
- It will be easier to trace distribution channels

On the other hand, the legal system applicable to the type of Real-World Assets linked to tokens will be applied. Therefore, certain requirements must be met to legally ensure the transfer of the token as the transfer of the Real-World Assets linked to the tokens.

There are also issues specific to tokens linked to Real-World Assets (**RWA tokens**)⁴. In our country, there has been some progress⁵ in the field of so-called security tokens (digital securities) with regard to the establishment of an issuance and distribution market (platform) for RWA tokens. However, in other fields, only some operators have issued a certain amount of cryptoasset as stipulated in the Payment Services Act (Hereinafter referred to as the “**PSA**”) and NFTs. Therefore, it is difficult to say that the establishment of a common issuance and distribution market for RWA

¹ Property rights include real rights (e.g., ownership), claims, intellectual property rights, and other rights related to tangible real and movable property.

² Some tokens are not linked to a specific asset but are traded as financial value. A typical example is Bitcoin.

³ Some tokens cannot be divided according to the token standards. A typical example is NFT, which will be described later.

⁴ Although there is no definite definition, it can be regarded as the same as **RWA (Real-World Asset) tokens**.

⁵ At the time of writing, all security token cases in Japan are based on private/consortium blockchains. Although these mechanisms are also blockchains, their architectures are fundamentally different from the public blockchains covered in the Guideline.

tokens has been realized on a large scale or by multiple operators that would benefit the development of Japan's economy and industry.⁶

In our country, there are the following institutional issues and barriers to large-scale commercialization by operators.

- It is difficult to legally ensure the smooth and inexpensive transfer of the Real-World Assets linked to the token in accordance with the transfer of the token (especially to a third party who is not an interested party).
- In some cases, it may be difficult for a business operator to receive an accounting audit because the rights and obligations related to the tokens handled are not clear.
- The amount of property that can be tokenized is limited due to the interpretation that ownership of an immaterial object is not recognized.

The Japan Cryptoasset Business Association (hereinafter referred to as the “**Association**”.) has compiled the guideline for the utilization of RWA tokens (this document is referred to as the “**Guideline**”.) **with the aim of promoting the establishment of a market for the issuance and distribution of RWA tokens for businesses** that are engaged in or considering the utilization of RWA tokens, taking into account the opinions of businesses that are actually engaged in the utilization of RWA tokens and experts in related fields such as legal regulations, etc., as well as the following initiatives.⁷

- Arrangements of requirements for the transfer of tokens to be regarded as the transfer of Real-World Assets associated with the token concerned (such as the requirements to assert against third parties in the Civil Code)
- Arrangement of the rights and obligations of various RWA tokens in practice and preparation of a model of terms of use for businesses that utilize RWA tokens to facilitate accounting audits
- Identification of institutional issues that should be addressed in the medium to long term, including ownership of immaterial objects

(2) Tokens covered by the Guideline

As shown in Figure 1 below, the Guideline handle tokens (Excluding “electronically recorded transferable rights to be indicated on securities, etc.” prescribed in the

⁶ The abbreviation of Non-Fungible Token. A non-fungible digital token (certificate) issued on a blockchain.

⁷ The Guideline is intended to encourage companies that utilize RWA tokens, including members of this association, to use the Guideline, but does not restrict their business activities, such as requiring compliance.

Financial Instruments and Exchange Act, etc. (so-called security tokens) and “electronic payment instruments” prescribed in the PSA (so-called stable coins). The same shall apply hereinafter.) on public blockchains that are linked to Real-World Assets.⁸

Figure 1: Types of Tokens Linked to Real-World Assets covered by the Guideline

Types of tokens				Linkage with Real-World Assets, etc.	
General name	Basis law	Legal name	Yes	None	
Digital assets	Security tokens	Financial Instruments and Exchange Act, etc.	Electronically recorded transferable rights to be indicated on securities, etc.		
	Stablecoin	Payment Services Act	Electronic payment instruments		
	Cryptoasset		Cryptoasset	Subject to the Guideline	
	NFT	(Some tokens that do not fall under any of the above)			

The Guideline also assumes real property, movables, and claims as types of Real-World Assets linked to tokens, among assets subject to property rights.

Although the Guideline are based on the application of domestic laws, some global trends are also mentioned.

(3) Structure of the Guideline

Based on the background and purpose described above, the Guideline has the following structures.

- Chapter 1 provides an overview of the Guideline and introduces actual cases.
- Chapter 2 arranges issues regarding the transfer of tokens as the transfer of Real-World Assets linked to the tokens.
- Chapter 3 arranges issues regarding the rights and obligations of tokens linked to Real-World Assets.

⁸ Excluding the use of blockchain primarily for the purpose of recording information, such as the use to ensure traceability in the supply chain.

- Chapter 4 summarizes medium to long-term issues.
- Attachments are templates of the Terms of Use as reference material.

2. Examples of Businesses Utilizing Tokens that are Linked to Real-World Assets

Examples of businesses utilizing tokens linked to the Real-World Assets include the following.⁹

The descriptions of each case in the Guideline do not guarantee its accuracy. The introduction of each case is intended to promote understanding of the Guideline and does not certify or recommend any specific service.

(1) Sake World NFT

Sake World NFT is a marketplace where customers can purchase “Sake Tickets”, NFTs that can be exchanged for Sake, provided by Leaf Publications Co., Ltd. (Hereinafter referred to as “**Leaf Publications**”). The marketplace allows customers to purchase Sake like a regular mail order site¹⁰, as well as to age, store, and trade Sake between individuals.

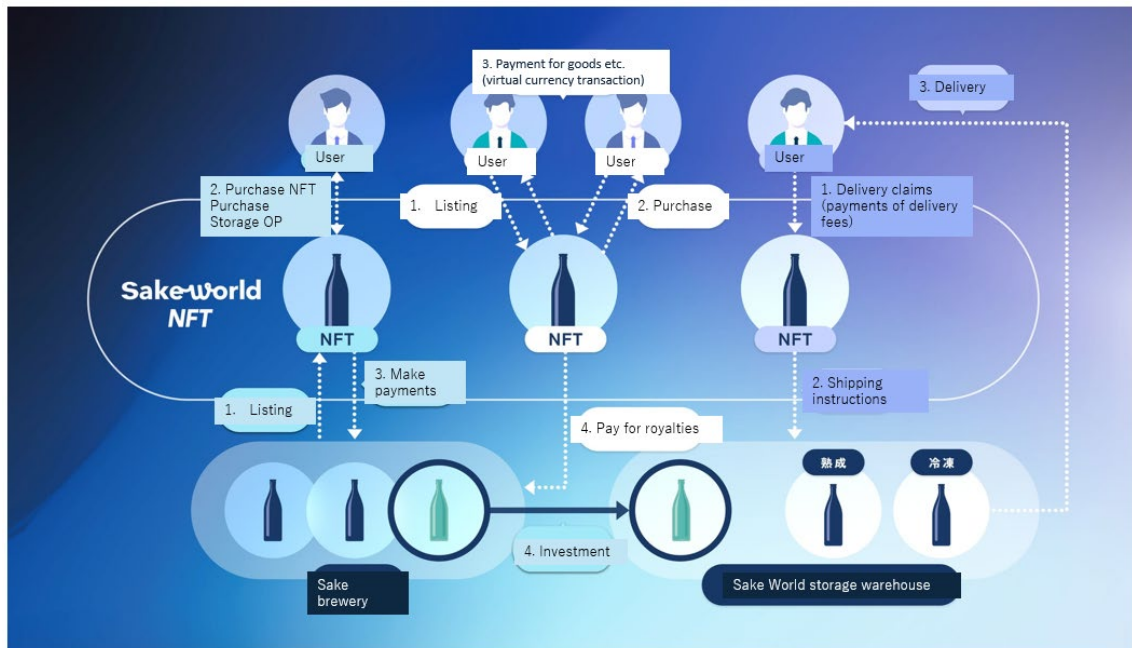
Under the Liquor Tax Act, only those with a liquor license (Refers to a “**distribution business license**” prescribed in Article 9, Paragraph 1 of the Liquor Tax Act.) are allowed to sell alcoholic beverages, including Sake, in principle. However, this marketplace allows customers to participate even if they do not have a license to sell alcoholic beverages.

In addition, when a transaction is made between consumers through this marketplace, the transaction fees paid by the purchaser based on the transaction value is returned as royalties to the brewery that produced the Sake. (See Figure 2 below)

⁹ The specific details of each case are based on information published at the time of writing.

¹⁰ This refers to the primary transaction described below.

Figure 2: Scheme of Sake World NFT



Source: Leaf Publications Press Release

(<https://prtimes.jp/main/html/rd/p/000000001.000068455.html>)

① Real-World assets

In Sake World NFTs, assets that correspond to Real-World Assets associated with tokens are rights to demand delivery of movables, i.e., claims, to liquor distributors.

② Tokens

“Sake Tickets” are NFTs that represent the above-mentioned delivery claims.¹¹

③ Primary sales transactions of “Sake Tickets” NFTs

Primary sales transactions are conducted directly between liquor distributors and Primary Purchasers.^{12 13}

Payment methods for primary sales transactions include Japanese yen credit card payments or cryptoasset designated by liquor distributors in advance.

④ Secondary Distribution of “Sake Tickets” NFTs (Interpersonal Transactions)

Secondary distribution is conducted directly between individuals. There are

¹¹ Sake World NFT Terms of Use Article 2, Items 18 and 19.

¹² Sake World NFT Terms of Use Article 2, Item 5.

¹³ It seems that primary sales transactions are classified as sales of alcoholic beverages, even though “Sake Tickets” NFTs are issued.

transfers with profits and transfers without profits.¹⁴

At the time of the transfer with profits on the Marketplace, the payment method can only be made using cryptoasset designated by the liquor distributor in advance. At the time of the transfer with profits, the transaction fee corresponding to the transfer value is paid to the liquor distributor as a royalty.¹⁵

⑤ Others

Regarding primary sales transactions, if immediate shipping is not selected at the time of the sale of the “Sake Tickets” NFT, the Primary Seller will store the liquor until the subsequent request for shipping. However, on the basis that “processing” (Article 1, Item 2 of the Enforcement Order of the Warehousing Business Act) of the goods is required prior to delivery, it appears that this act of storage does not fall under the category of warehousing business under the Warehousing Business Act (Article 2, Paragraph 2 of the same Act).

For the sale of liquor, a liquor license as stipulated in the Liquor Tax Act is required. However, among the transactions of the “Sake Tickets” NFT conducted on this marketplace, the secondary distribution transaction is a sale and purchase of the right of delivery claims of the subject product to the liquor distributor, and therefore the license is not required.¹⁶

(2) NOT A HOTEL

NOT A HOTEL INC. (Hereinafter referred to as “**NAH**”.) offers “NOT A HOTEL” (service name), which allows users to share and purchase homes for vacation homes. This allows users to purchase properties that normally cost hundreds of millions of yen from tens of millions of yen. The owner holds the right of co-ownership interest in the real property divided into up to 36 units, and owner gets the right to stay 10 nights per unit per year.

Secondly, the owner can rent out the room through NAH when not in use.¹⁷ On days when the owner does not set it for private use, NAH opens it to the public as a hotel, and NAH handles the operation of attracting customers, cleaning, and payment.

NAH converts a portion of the hotel usage rights into NFTs and sells the NOT A HOTEL accommodation as “MEMBERSHIP” NFTs, which are memberships that can

¹⁴ Sake World NFT Terms of Use Article 2, Item 8.

¹⁵ Sake World NFT Terms of Use Article 2, Item 25.

¹⁶ It is said that the situation of exercising the right to claim exchange (receiving the delivery of goods) falls under the category of selling alcohol.




¹⁷ Switching between staying at home and staying at a hotel can be done via the app.

be used on a one-day basis per year basis.¹⁸

“MEMBERSHIP” NFTs can be traded between individuals on the NFT marketplace.

NAH classifies “MEMBERSHIP” NFTs as an Issuer of Prepaid Payment Instruments for Its Own Business under the PSA¹⁹, and NAH notifies them to the Financial Services Agency as the Issuers.²⁰

Figure 3: Types of “MEMBERSHIP” NFTs

	MEMBERSHIP S 	MEMBERSHIP Y 	MEMBERSHIP X 
Price	¥1,850,000 (¥ 39,361 per night)	¥3,550,000 (¥ 37,765 per night)	¥5,800,000 (¥ 41,134 per night)
Validity period	47 years	47 years	47 years
Accommodation	1 night/year (47 nights in total)	2 consecutive nights/year ※ (94 nights in total)	3 consecutive nights/year ※ (141 nights in total)
Event Participation	●	●	●
Exclusive Facilities Usage	-	-	●

Source: NAH homepage (<https://notahotel.com/nft>)

① Token-linked Real-World Assets (RWA)

The Real-World Assets linked to the token represent the owner’s rights to use real property, such as accommodation rights, effectively creating a form of claims.

② Primary Sales of “MEMBERSHIP” NFTs

The primary sales transaction is a sales contract between NAH and the Primary Purchaser.

Payment methods for primary sales transactions are Japanese yen bank transfer

¹⁸ This does not mean that all tokens issued by NAH fall under the category of NFTs.

¹⁹ This arrangement is for NAH, and the Association does not approve the arrangement.

²⁰ the Financial Services Agency, Notification List of Issuers of Prepaid Payment Instruments (Own Type) (<https://www.fsa.go.jp/menkyo/menkyoj/jika.pdf>)

or ETH (ESA).

③ Issuance of “MEMBERSHIP” NFTs

After the primary sales contract is concluded, NAH sends “MEMBERSHIP” NFTs to the address of the Primary Purchaser.²¹

④ Secondary Distribution of “MEMBERSHIP” NFTs

Users who hold “MEMBERSHIP” NFTs can transfer the NFTs. The secondary distribution market for transfer is not provided by NAH, but is conducted by listing and selling on the NFT marketplace (secondary distribution market) by the “MEMBERSHIP” NFT holder. Therefore, the terms and conditions of the NFT marketplace used are applied to the sale.

In addition, there is no mechanism for paying royalties to the owner in secondary distribution.

Figure 4: Organization of the parties involved in each case

	Sake World NFT	NOT A HOTEL
Real-World asset owner	Liquor distributor	Owner
Token issuer	Liquor distributor	NAH
Token primary seller	Liquor distributor	NAH
Market operator	Leaf Publications	NAH Inc. (primary sale only)
Type of token	NFT	NFT
Real-World assets linked to the tokens	Delivery claims (claims)	Membership right (claims)
Royalties for the owners of Real-World Assets	Yes	No

²¹ NFTs that represent membership rights to use services designated by NAH within the amortization period (Article 1, Item 15 of the NFT Terms of Use)

Chapter 2 Issues for Regulating Token Transfers as Transfers of Real-World Assets

In this chapter, we will outline the requirements for regarding transfers of tokens linked with Real-World Assets as transfers of Real-World Assets and examine the associated challenges.

In general, tokens themselves are merely identification codes on the blockchain and do not inherently represent individual Real-World Assets. Even if a token is transferred as a representation of Real-World Assets, such a transfer does not immediately produce the legal effect of transferring Real-World Assets linked to the token. To ensure that a token results in the transfer of the associated Real-World Assets, it is necessary to design the token with such functionality. Additionally, in order to ensure the perfection of transfer against a third party described below, the requirements specified by the relevant laws and regulations must be satisfied.

The issues addressed in this chapter include what procedures, in addition to the transfer of tokens on the blockchain, are necessary to treat such a transfer as the transfer of Real-World Assets, and how much the burden of procedures performed outside the blockchain can be reduced to maintain the convenience of digital transaction forms.

As for the legal structure regarding the transfer of Real-World Assets, there are two possible structures: one where Real-World Assets are transferred along with the transfer of tokens, and another where the token held by the transferor (the former token holder) is extinguished, and a new token is issued to the transferee (the token purchaser), resulting in the Real-World Assets being extinguished and then newly created under the token purchaser. However, to avoid complicated legal structures, the Guideline assumes a framework where the token and Real-World Assets themselves are transferred.

1. Types of Real-World Assets Linked to the Tokens and Legal System Pertaining to the Transfer

The Guideline mainly addresses real property, movables, and claims as the types of Real-World Assets linked to tokens, as these represent the most common use cases, and summarizes relevant issues.

Although there is no legal definition of “tangible assets,” Article 85 of the Civil Code defines tangible objects as “things,” which are further categorized as “real property” (land and its fixtures)²² and “movables.”²³ In the Guideline, tangible “**real property**” and “**movables**” are considered representative examples of “**tangible assets**.”

²² Civil Code Article 86, Item 1

²³ Civil Code Article 86, Item 2

Similarly, while there is no legal definition of “intangible assets”²⁴, in the Civil Code, “claims” are property rights as opposed to “property rights,” which are rights to “things.”²⁵ Therefore, the Guideline will consider “**claims, which lack physical objects, as representative “intangible assets,”** in contrast to tangible “real property” and “movables.”

In addition, “property rights” related to Real-World Assets subject to transfer will be considered based on the premise of “ownership.”

The legal framework for the transfer of individual Real-World Assets is as follows. It should also be noted that it is possible to transfer Real-World Assets through the transfer²⁶ of contractual positions (contractual status).²⁷ If one party to a contract agrees to assign their contract to a third party, and the other party to the contract consents to the assignment, the assigner’s contractual position is transferred to the third party.

(1) Transfer of ownership of real property and movables

Article 176 of the Civil Code stipulates that the transfer of ownership (referred to as “property rights” in the text) of real property and movables is effective solely based on the manifestation of intention by the involved parties.

In general, when a token linked to Real-World Assets is transferred, it is not particularly difficult to include action in the transaction flow that are considered as manifestations of intention between the parties.

(2) Assignment of claims

Article 466 (1) of the Civil Code stipulates that claims are generally assignable unless their nature prohibits it, and such assignments are affected by the manifestation of intention between the assignor and the assignee.

While it is possible to impose a prohibition or restriction on the assignment of claims through contracts, even if a claim is assigned in violation of such prohibitions

²⁴ In International Accounting Standard 38, “intangible assets” are defined as “identifiable non-monetary assets without physical substance.”

²⁵ This refers to the rights to directly control an object, including ownership, possession rights, usufructuary rights (such as superficies, farming rights, servitudes and right of common), and property rights granted by security (such as right of retention, statutory lien, pledges and mortgages).

²⁶ For example, the assignment of claims involves assigning a claim that arises from a contract without changing the contracting parties. In contrast, an assignment of a contract transfers the position of the contracting party (this includes not only rights and obligations, but also rights that can be exercised under the law, such as the right to terminate or cancel, as well as rights specified in the contract terms) itself.

²⁷ Article 539-2 of the Civil Code.

or restrictions, the assignment remains legally effective.²⁸ This means that, even if the terms of use or other agreements stipulate that claims cannot be assigned by any means other than the transfer of tokens, an attempt to assign claims without transferring the tokens may still be legally valid. Therefore, it is not always easy to reconcile the transfer of tokens and the assignment of claims.

2. Requirements for the Perfection of Real-World Assets Transfer against Third Parties

As mentioned above, the transfer of ownership of real property and movables is effective solely based on the manifestation of intention by the concerned parties.

However, this alone does not allow the transfer of ownership to be duly asserted against third parties. The requirements to be satisfied for the transfer to be effective against a third party are referred to as “requirements for the perfection against third parties.”

To duly assert the transfer of ownership of real property against a third party, the method described in (1) below must be followed. Similarly, to duly assert the transfer of ownership of movables against a third party, the method described in (2) below must be followed.

In addition, while the assignment of claims is established only by the manifestation of intention between the assignor (former holder of the token) and the assignee (new holder of the token), this alone does not make the assignment enforceable against the debtor or a third party. To duly assert the assignment of a claim against the debtor (such as the liquor distributor in the case of “Sake World NFT” or NAH in the case of “NOT A HOTEL”), notice from the assignor to the debtor or consent from the debtor is required. Furthermore, to duly assert the assignment of a claim against a third party, it is necessary to satisfy the requirements for assertion against a third party by the method described in (3) below.

(1) Requirements for the perfection of ownership transfer of real property against third parties

The transfer of ownership of real property may not be duly asserted against any third parties, unless the ownership transfer is registered in accordance with the Real Property Registration Act (Article 177 of the Civil Code).

²⁸ Article 466, Item 2 of the Civil Code

Therefore, even if a token associated with ownership of real property is transferred, the transfer of ownership cannot be duly asserted against a third party unless the ownership transfer is registered. For example, if a third party who claims to have acquired the transfer of real property completes the ownership transfer registration first, that third party will definitively acquire ownership. Consequently, the person who purchased the token is at risk of losing ownership of the real property, even if he or she holds the token.

Compared to the transfer of tokens, the registration of a transfer of ownership is a much more time-consuming and costly process. If the token holder, who is the owner of the real property, transfers the real property to someone other than the token purchaser (so-called double transfer), and the risk of the assignor obtaining the registration of transfer of ownership first cannot be prevented, the token purchaser must complete the registration of transfer of ownership each time the token is transferred in order to prevent such a situation. However, considering the frequency of token transactions, as well as the time and costs mentioned above, this method is often impractical.

(2) Requirements for the perfection of ownership transfer of movables against third parties

The transfer of ownership of movables cannot be duly asserted against a third party, unless the movables are delivered (Article 178 of the Civil Code).²⁹

Therefore, even if a token linked to the ownership of movables is transferred, the transfer of ownership cannot be asserted against a third party unless the movables are delivered. For example, if a third party who claims to have acquired the movables receives delivery of the movables first, that third party will definitively acquire ownership. Consequently, the person who purchased the token is at risk of losing ownership of the movables, even if he or she still holds the token.

“Delivery” can refer to “actual delivery,” in which the movables are physically transferred from the assignor to the assignee, or “conceptual delivery,” which is an exception to actual delivery. However, because actual delivery requires much more

²⁹ As an exception to the Civil Code, Article 3, Paragraph 1 of the “Act on Special Provisions of the Civil Code Concerning Perfection Requirements for the Transfer of Movables and Claims” provides a system in which the registration of transfer in the movables transfer registration file is deemed to constitute delivery. This system was established for corporate financing purposes and is only applicable to the transfer of movables conducted by corporations. Therefore, since it is generally not applicable to token transfers between token holders, including individuals, the Guideline will omit consideration of this system. In addition, for movables such as automobiles and ships, special laws require registration to assert ownership against third parties. The Guideline will also omit consideration of such movables.

time and cost compared to the transfer of tokens, the benefits of trading tokens would be lost if actual delivery were to be performed each time. Therefore, it is not realistic to implement actual delivery every time a token is transferred.

On the other hand, conceptual delivery may be a feasible option and will be discussed later in section 3(2).

(3) Requirements for the perfection of claim assignment against third parties

As mentioned above, the assignment of claims cannot be duly asserted against the debtor or other third parties unless the assignor notifies the debtor or the debtor consents (Article 467, Paragraph 1 of the Civil Code).³⁰ Such notice or consent may not be duly asserted against a third party other than the debtor unless it is made through an instrument bearing a certified date (Paragraph 2 of the same Article).

Therefore, even if the token linked to a claim is assigned, the assignment of the claim cannot be duly asserted against a third party unless the former holder of the token notifies the debtor or the debtor consents (to the former holder or the new holder) through an instrument with a certified date. In this case, as in section 2(1) above, there is a risk that the third party who first meets the requirements to duly assert the assignment of the claim causes the new holder of the token to lose the claim.

“Instruments with a certified date” are limited to those listed in each item of Article 5, Paragraph 1 of the Civil Code Enforcement Act, but are limited to those with low compatibility with token transactions, such as notarial deeds (Item 1) and certified mail (Item 6). Therefore, although it may be possible to utilize special provisions under the Act on Strengthening Industrial Competitiveness, which will be described later, it is not practical to obtain an instrument with a certified date every time a token is transferred.

3. Consideration of Stable Methods for Treating Token Transfers as Transfers of Real-World Assets

As described in 2. above, even if Real-World Assets are linked to tokens, there are difficulties in ensuring that the transfer of these Assets is synchronized with the transfer

³⁰ As an exception to the Civil Code, Article 4, Paragraph 1 of the “Act on Special Provisions of the Civil Code Concerning Perfection Requirements for the Transfer of Movables and Claims” provides a system where the registration of the assignment in the claim assignment registration file is deemed to constitute notification by an instrument with a certified date. This system was established for the purpose of enabling corporations to raise funds through the securitization of claims. For the same reasons as mentioned in the previous footnote, the Guideline will omit consideration of this system.

of tokens in a way that satisfies the requirements for the perfection against third parties. A realistic method for conducting stable transactions will be discussed below for each type of Real-World Asset.³¹

(1) Real property

For real property, as described above, a system that requires the completion of ownership transfer registration is not practical. Alternative methods that could be considered include the following:

① Beneficiary certificate-issuing trusts

One method is to not hold the real property directly but to place it in a trust and transfer the beneficiary rights. In this case, the legal structure of the tangible assets to be transferred is roughly divided into beneficiary certificate-issuing trusts (type of non-issuance of security papers) and a beneficial interest in a trust. Both are considered securities under the Financial Instruments and Exchange Act, and tokens representing these rights fall under the category of *electronically recorded transferable rights to be indicated on securities, etc.* prescribed in the Financial Instruments and Exchange Act, etc. In this case, the purpose of the token transfer is not to transfer the ownership of the real property itself but rather to transfer the beneficiary rights, thus eliminating the need for ownership transfer registration to realize the transfer. In practice, it is common to establish a trust in the form of beneficiary certificate-issuing trusts (type of non-issuance of security papers), and to establish a trust contract so that writing on the blockchain can be classified as an entry on the registry of trust (Article 195, Paragraphs 1 and 2 of the Trust Act), thereby ensuring that the requirements for the perfection of transfer of beneficiary rights are met. However, as mentioned above, since the beneficiary rights fall under the category of *electronically recorded transferable rights to be indicated on securities, etc.* as described above, it is not subject to the consideration of the Guideline, as stated in Chapter 1, 1. (2).

³¹ As a business, considering the costs and risks, it may be a deliberate decision not to fulfill the requirements for asserting rights against third parties. However, a basic premise in the Guideline is that a business that utilizes tokens linked to Real World Assets will satisfy the requirements for asserting rights against a third party. Nevertheless, the method of structuring and issuing tokens as prepaid payment instruments, which will be discussed later, is considered on the premise of not fulfilling the requirements for duly asserting rights against third parties, given the characteristic that it is easy to align the token holders with the claim exercisers.

② Usage rights

Another method is to link the right to use real property (typically, the right to stay) to a token. Such a right is considered a claim under the Civil Code and, unlike (1), generally does not fall under the category of securities under the Financial Instruments and Exchange Act. In this case, while it is possible to avoid the process of registering the transfer of ownership as a requirement to the perfection of transfer against third parties, it is still necessary to meet the requirements for their perfection of assignment of “claims” against third parties, as discussed later.

As mentioned above, in the case of “NOT A HOTEL,” the terms of use specify that the “MEMBERSHIP” NFT represents membership rights related to the right to use the accommodation facilities.

(2) Movables

The transfer of ownership of movables requires “delivery” to satisfy the requirements to the perfection of transfer of the ownership against third parties. As mentioned above, there are two major types of delivery: “actual delivery” and “conceptual delivery.” Of these, it is practically difficult to perform “actual delivery” of movables each time a token is transferred. On the other hand, “conceptual delivery” is worth considering.

Conceptual delivery includes “summary delivery” (Article 182, Paragraph 2 of the Civil Code), “constructive transfer with retention of possession” (Article 183 of the Civil Code), and “transfer of possession by instruction” (Article 184 of the Civil Code).

Of these, “summary delivery” is an option that can be taken when the assignor already owns the movables, and “constructive transfer with retention of possession” is a form in which the transferor holds the movables for the assignor.³² When considering the transfer of movables in conjunction with the transfer of a token, it is more practical to use “transfer of possession by instruction,” where a third party manages the movables, as described below. Therefore, the Guideline will focus on “transfer of possession by instruction.”³³

³² While certain cases may present alternative options, the Guideline focuses on the more universally applicable method of “transfer of possession by instruction.”

³³ In cases where the issuer of the token itself possesses and manages the movables (without entrusting the movables’ management to a third party), the initial token sales would involve the possessor of the movables transferring the tokens and subsequently holding them on behalf of the token purchasers. This would be categorized as items being delivered through a “constructive transfer with retention of possession.” In such cases, even during secondary distribution transactions, the issuer, who is a third party from the perspective of the token holder (owner), would be deemed to possess the movables. Consequently, the transfer of movables involved in token transactions would be realized through the method of “transfer of possession by instruction,” as described in this document.

“Transfer of possession by instruction” refers to a situation where, for example, the transferor of movables entrusts a third party with the management of the movables, allowing the third party to continue possessing such movables. In this case, the transferor then instructs the third party to hold the movables on behalf of the transferee from that point onward, and the transferee accepts this arrangement.

From the viewpoint of organizing the requirements for considering the transfer of a token as a transfer of rights to Real-World Assets, “transfer of possession by instruction” can be achieved if a mechanism is established to achieve the following three points each time a token is transferred: (1) the former token holder instructs the manager of the movables to hold it on behalf of the new token holder, (2) the manager acknowledges this instruction, and (3) the transferee accepts this arrangement. If such a mechanism is in place, “delivery by instruction” can be deemed to have occurred. This makes it possible to satisfy the requirements for the perfection of transfer of ownership without the need for actual delivery.³⁴

As a specific method, consider a service that issues and distributes tokens linked to ownership of movables. In this scenario, suppose that not only the parties involved in the primary sale of the tokens but also the movables manager would become parties to the terms of use of the service.³⁵ The terms of use could stipulate that “If a token is transferred by the former token holder, the former token holder shall be deemed to have instructed the manager of the movables to take possession on behalf of the new token holder, and the new token holder shall be deemed to have accepted this instruction.” This approach would reconcile the transfer of tokens with the transfer of ownership.^{36 37}

³⁴ Additionally, if the movable is a fungible good without unique characteristics, it is essential to identify which specific movable corresponds to the token.

³⁵ The above arrangement also applies when the token issuer and the movables’ manager are the same.

³⁶ In cases where all parties agree to the terms of use during primary distribution, or where only the parties who agree to the terms of use on the operating service are engaged in secondary distribution, the above arrangement seems to be appropriate without any problems. On the other hand, if tokens can be distributed outside the service, such as when using a public blockchain, there may be token traders who have not explicitly agreed to the terms of use. In this context, due to the nature of tokens linked to movables, the intentions of the token traders generally align with the intention to transfer ownership along with the transfer of the token. Therefore, it can be interpreted that the parties trading on the public blockchain also implicitly agree to the method of transfer of possession by instruction. Furthermore, even if such a structure of implied consent cannot be applied, it can be said that if tokens are repeatedly circulated and the final token holder manifests his/her intention to exercise his/her rights (such as a request for the delivery of movables), it is clear that the final holder “accepts” the terms of use. In such a case, although the acceptance is not necessarily continuous throughout the process of distribution, the delivery of movables will ultimately be realized. Therefore, at least in ordinary transactions, no particular problems are expected to arise.

³⁷ A key issue is whether the manager of the movables clearly recognizes on whose behalf they are holding the property and whether it is appropriate to assume that the manager has received an instruction in such cases. On this point, in a typical blockchain system, the manager of movables can always verify

Furthermore, even if the movables manager is not a party to the terms of use of the service (i.e., has not consented to the terms of use), a similar arrangement can be achieved by implementing a system that automatically detects each token transfer and sends a notification to the movables manager instructing them to hold the movables on behalf of the new token holder.³⁸

In addition, regarding movables, it is also possible to tokenize the right to claim delivery of movables, i.e., a claim, as a Real-World Asset, like the example of Sake World NFT mentioned above.³⁹ In this case, the requirements for the perfection of transfer of ownership against third parties do not become an issue. Instead, as described in (3) below, it is necessary to consider the situation as an assignment of claims.

(3) Claims

To meet the requirements for the perfection of assignment of claims against third parties, which typically involve notification or consent through an instrument with a certified date, the following alternative methods can be considered:

① Use of Special Provisions under the Act on Strengthening Industrial Competitiveness

Based on Article 11-2, Paragraph 1 of the Act on Strengthening Industrial Competitiveness, if a notice of transfer of claims is made using an accredited information system, such a notice is deemed to be equivalent to a notice or consent through an instrument with a certified date as prescribed in Article 467, Paragraph 2 of the Civil Code.

This special provision can serve as an alternative to obtaining an instrument with a certified date, which is time-consuming and costly. However, at the time of

and recognize from the transaction details that a token transfer has occurred. More precisely, the manager can know the blockchain address of the current token holder. When it comes to the actual delivery of the movables, if the holder of the address can clearly prove their ownership by some means, the movables can be delivered without any issues. Therefore, if the method of proof is clearly defined in the terms of use, it is sufficient for the manager to identify the owner by the address at the time of the token transfer. Based on this understanding, it seems safe to assume that the manager is aware of the instruction.

³⁸ In this case as well, it is generally assumed that the manager only knows the address. However, like the above footnote, there seems to be no particular issue in considering that “transfer of possession by instruction” has occurred.

³⁹ In cases involving the storage of movables, the Warehousing Business Act may become a point of contention. This also applies when tokenizing the right to claim delivery of movables. In the case of Sake World NFT mentioned earlier, it appears that the applicability of the Warehousing Business Act was denied based on its interpretation. However, whether a similar arrangement is appropriate needs to be examined on a case-by-case basis.

formulation of the Guideline, the following three projects have been approved.

Figure 5: Examples of Special Provisions Concerning Notice of Assignment of Claims

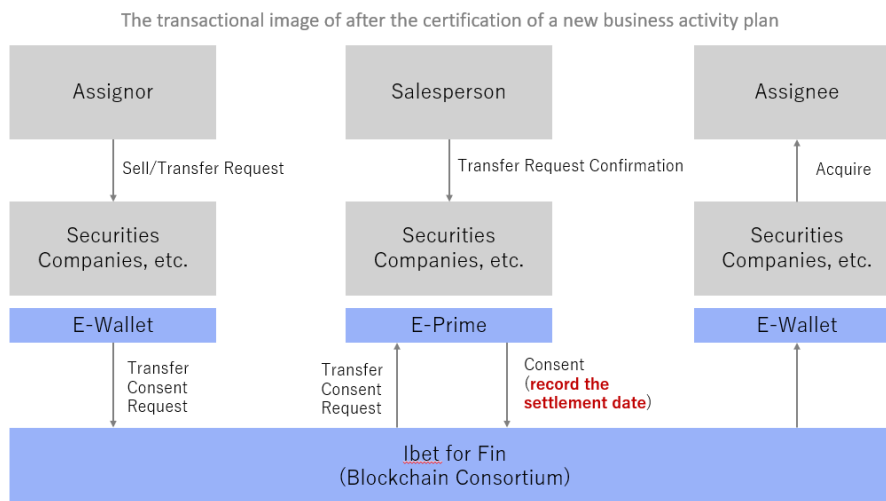
Name or trade name of the approved implementer of new business activities	Plan approval date	Means of Notification, etc.	Outline of the approved new business activity plan
Project related to notification, etc. of transfer of receivables through information systems utilizing blockchain technology [Applicant] BOOSTRY, Inc.	October 11, 2024	Notification, etc. on the system	Announcement (PDF)
Business Related to Notification of Transfer of Loans via Information Systems Utilizing Blockchain Technology [Applicant] Ownership Corporation	August 1, 2023	Notification on Systems	Announcement (PDF)
Business related to SMS notification of transfer of claims [Applicant] Lynx Corporation	April 27, 2022	SMS (Short Message Service)	Announcement (PDF)

Source: Ministry of Economy, Trade and Industry, “Approval of New Business Activity Plan for Special Provisions on Notice of Assignment of Claims” (as of October 2024)⁴⁰

Among the above 3 cases, the tokens backed by the claims in the most recent two cases fall under the category of security tokens, which are outside the scope of the Guideline. Therefore, there is only one case where the special provisions above have been used for the assignment of claims related to tokens covered by the Guideline.

⁴⁰ https://www.meti.go.jp/policy/jigyousaisei/kyousouryoku_kyouka/shinijyokaitakuseidosuishin/saikenjoto.html

Figure 6: Scheme for Notice of Transfer of Claims Approved by BOOSTRY, Inc.



Source: Press Release of BOOSTRY, Inc.

(<https://www.nomuraholdings.com/jp/news/nr/etc/20221014/bstr20221014.pdf>)

② Method of Structuring and Issuing Tokens as Prepaid Payment Instruments

One method to naturally align the transfer of tokens with the transfer of rights is to condition the rights themselves on such a transfer. In other words, the idea is to establish in advance the claim associated with the token as a mechanism that can be exchanged for specific products or services only when the token is presented.

In this case, even if the rights (claims) are transferred without the transfer of the token, the rights cannot be exercised because the token cannot be presented, which is the condition for exercising the rights. Therefore, the transfer of tokens and the transfer of rights are effectively and naturally linked.

On the other hand, as mentioned above, the transfer of tokens alone does not satisfy the requirements for the perfection of assignment to third parties. However, at least in ordinary transactions, no particular issues are expected to arise as

mentioned above.^{41 42 43}

It should be noted that: tokens that can be presented to the issuer itself to receive goods or services may fall under the category of *prepaid payment instruments for its own business* under the PSA. If they fall under this category, they will be subject to the notification obligations and various regulatory actions required under the same law when the unused balance on the reference date reaches a certain amount.

As mentioned above, in the case of “NOT A HOTEL,” the transfer of ownership registration for real property was avoided by structuring it in the form of “right to use.” However, it is necessary to satisfy the requirement for the perfection of assignment “claims” against third party. NAH has classified “MEMBERSHIP” NFTs as prepaid payment instruments and notified the authorities as an issuer of prepaid payment instruments under the PSA.

⁴¹ It should be noted that, while the issue of the perfection of assignment against third party can be ignored during normal times, problems can arise in the context of bankruptcy proceedings. The bankruptcy trustee, who manages the bankruptcy estate on behalf of the debtor, is considered a third party when it comes to the assignment of claims. Due to the lack of the perfection of assignment against third party, the following issues may arise: (1) the token holder may go bankrupt and the bankruptcy trustee may claim that the claims linked to the token belongs to the bankruptcy estate, and (2) the debtor may go bankrupt and the current token holder who received the token may file a claim, but the bankruptcy trustee may not recognize the claim. These are issues of prepaid payment instruments themselves, not issues specific to tokens. Although these risks have not yet become major issues in court cases, it should be noted that certain risks may exist.

⁴² As a separate discussion related to bankruptcy, it should also be noted that if the debtor of a tokenized claim goes bankrupt, the rights of the token holder will become bankruptcy claims. For example, when tokenizing movables, it is possible to tokenize the right to claim delivery of movables (i.e., claims) instead of ownership of movables. In this case, unlike tokenizing ownership, the token holder assumes the bankruptcy risk of the token issuer.

⁴³ In cases where a business entity exchanges tokens with a token holder, there is a possibility that the terms of use or similar agreements could stipulate that the business entity is exempt from liability even if said token holder is not the rightful owner. However, the Supreme Court ruling on April 8, 2003 (Minshu Vol. 57, No. 4, p. 337) concerning the repayment of bank deposits seems to recognize the mandatory nature of Article 478 of the Civil Code, which requires bona fide and absence of negligence as a requirement for payments to those who appear to have the authority to receive them. Although it is not clear whether the scope of this case extends beyond deposit claims to include the right to claim delivery of Real-World Assets to token holders covered by the Guideline, this issue should be noted. In addition, it should be noted that if such terms of use reduce the possibility of the true rights holder receiving payment compared to the provisions of Article 478 of the Civil Code, there is a possibility of violating Article 10 of the Consumer Contract Act (invalidity of provisions that unilaterally harm consumer interests) which may be an issue.

Figure 7: Summary of Considerations on How to Fulfill the Requirement to Assert Against Third Parties

	Transfer/Assignment	Requirements to Assert Against Third Parties	Direction of Consideration
Real property	Manifestation of intention of the parties	Registration of transfer of ownership	<ul style="list-style-type: none"> • Trust (security tokens) • Right to use (create Claims)
Movables	Manifestation of intention of the parties	Delivery	<ul style="list-style-type: none"> • Conceptual delivery • Right to claim delivery (create Claims)
Claims	Manifestation of intention of the parties	Notification to the debtor from the assignor by certificate with a fixed date or acceptance by the debtor	<ul style="list-style-type: none"> • Special provisions of the Act on Strengthening Industrial Competitiveness • Prepaid Payment Instruments

Chapter 3 Examination of Accounting Treatment and Discussion on Rights and Obligations Regarding Tokens Linked to Real-World Assets

As mentioned above, the utilization of RWA tokens facilitates the division (miniaturization) and transfer (distribution, including cross-border transactions) of Real-World Assets leading to the creation of new products and services, as well as new business opportunities.

When conducting a business that utilizes RWA tokens, the issuance and holding of tokens by the business (hereinafter referred to as “**Issuance, etc.**”) becomes inevitable. However, it has been pointed out that one of the barriers to large-scale commercialization by a business is that the lack of clarity regarding the rights and obligations associated with the RWA tokens being handled makes it difficult for a business to prepare appropriate financial statements and, as a result, makes it difficult to undergo an accounting audit.

The Guideline aims to address and clarify the issues and points of concern that need to be resolved across the industry, particularly focusing on the rights and obligations that often become problematic when considering the accounting treatment of issuance, etc. Additionally, it seeks to advance discussions towards finding solutions to these challenges.

Furthermore, in clarifying the rights and obligations related to RWA tokens, it is necessary to ensure that the legal status, rights, and obligations related to Real-World Assets linked to tokens are continuously maintained, not only at the time of issuance but also during subsequent transfers and holdings. This chapter, building on discussions in the previous chapter, assumes that Real-World Assets remain legally linked to tokens even when they are held after transfer.

Although the Guideline presents the views of the Association regarding accounting treatment, it does not guarantee the validity of these views.

1. Accounting and Disclosure Issues Related to Tokens Linked to Real-World Assets

The Japanese Institute of Certified Public Accountants published the Industry Committee Research Report No. 2 on Audit Commissioning Issues Related to Web3.0 Companies⁴⁴(hereinafter referred to as “**Web 3.0 Research Materials**”). This report points out that one of the factors making accounting decisions difficult is the challenge

⁴⁴ Japanese Institute of Certified Public Accountants website:
https://jicpa.or.jp/specialized_field/20231120aef.html

in identifying “the **legal validity of the transaction itself and the rights and obligations between the issuer and the holder,**” which are the premises for the consideration of accounting treatment.⁴⁵

Under the current law, a token that is only issued is not a “thing,” that is, an intangible asset rather than a tangible asset, meaning that property rights such as ownership are not recognized. Additionally, the act of issuing tokens does not inherently represent a “claim.” Therefore, when considering the accounting treatment conducted by companies for tokens they have issued, it is necessary to specifically analyze what kind of rights and obligations the tokens represent, taking into account the transactions and contracts related to the token issuance, etc.⁴⁶ If these relationships are not clear, it becomes more difficult for both the company and the audit firm to consider the accounting treatment for the tokens. As a result, this could lead to difficulties in undertaking the audit and increases in the time and cost required for the audit.

However, the Web3.0 Research Materials do not exclusively focus on tokens that are linked to Real-World Assets, but also broadly cover tokens that are not linked to Real-World Assets. Consequently, these Materials point out the issue of “unclear legal status under private law.” However, in practice, there are some RWA tokens whose legal status under private law is clear, so this issue does not necessarily apply to all RWA tokens.

For example, in the cases, the “Sake Tickets” NFT of “Sake World NFT” represents the right to demand delivery of liquor, which is a movable property, and the “MEMBERSHIP” NFT of “NOT A HOTEL” represents the right to use real estate. These points can be understood by individually and specifically examining the terms of service and other relevant agreements of each service.

The Guideline aims to address the challenges related to the preparation of financial statements and accounting audits for businesses utilizing RWA tokens. By referencing the Web3.0 Research Materials and considering the unique characteristics of RWA tokens, the Guideline will clarify the issues concerning the rights and obligations associated with tokens linked to Real-World Assets.

The rights and obligations to be addressed are related to the relationships between

⁴⁵ This document mentions not only rights and obligations, but also corporate governance and internal control systems as reasons that make it difficult to accept an audit. However, these points are outside the scope of the Guideline and are not discussed in detail.

⁴⁶ Since the token itself does not have ownership rights, the legal nature of Real World Assets associated with the token and the effect of the transfer can be expressed as it is. However, if the token itself becomes a Real World Asset, a different discussion may be required. However, this issue is not covered in the Guideline.

“issuers and holders,” and the discussion will proceed mainly from the issuer’s perspective.

(1) Development status of specific accounting standards

When businesses (management) consider the accounting treatment for RWA tokens, if specific accounting standards are applicable, the consideration will proceed based on those standards. Therefore, it is first necessary to check whether there are any accounting standards applicable to the RWA tokens being handled.

Regarding the accounting standards for tokens linked to Real-World Assets, applicable accounting standards are determined based on the type of token and whether it is issued or held, as shown in Chart 8 below.

Figure 8: Legal definitions and types of tokens and the development status of accounting standards

General name	Applicable law	Legal name	Accounting Standards	
			Holder	Issuer
Security Token	Cabinet Office Order on Financial Instruments Business	Electronically recorded transferable rights to be indicated on securities, etc.	Practical Solutions Report No. 43 “Accounting Treatment and Disclosure of Issuance and Holding of Electronically Recorded Transferred Securities Representation Rights, etc.” ⁴⁷	
Stable coin	Payment Services Act	Electronic payment instruments	Practical Solutions Report No. 45 “Immediate Treatment of Accounting Treatment and Disclosure of Certain Electronic Payment Instruments under the PSA” ⁴⁸	
Crypto-asset		Cryptoassets	Issued by others: Practical Solutions Report No. 38 “Immediate Treatment of Accounting for Cryptocurrencies under the Payment Services Act” ⁴⁹	N/A
			Issued by oneself: N/A	
NFT	N/A	N/A	Not applicable	

Source: Prepared by the Association based on Web3.0 Research Materials (as of October 2024)

As described above, the accounting standards for tokens linked to Real-World Assets in Japan are classified, similarly to the Guideline, based on the legal definitions of three types of tokens and the representative category of NFTs among other tokens. In addition, the types of tokens for which accounting standards are (partially) not yet established fall within the same scope as the Guideline, specifically in the areas of “Cryptoasset” and “NFT.”

In areas where accounting standards have not yet been established, accounting audits, etc., will examine the accounting treatment applied to financial statements

⁴⁷ https://www.asb-j.jp/wp-content/uploads/sites/4/denshikirokuiten20220826_02.pdf

⁴⁸ https://www.asb-j.jp/wp-content/uploads/sites/4/denshikessai20231117_02.pdf

⁴⁹ https://www.asb-j.jp/wp-content/uploads/sites/4/20180314_02-1.pdf

prepared by companies on a case-by-case basis, using existing accounting standards as a reference.

From this perspective, the RWA tokens covered by the Guideline fall under the categories of cryptoassets and NFTs, where accounting standards are largely underdeveloped. As a result, issues such as the difficulty in identifying the legal validity of the transaction itself and the rights and obligations between the issuer and the holder are more likely to arise. Consequently, it is difficult to prepare appropriate financial statements and commission audits, making accounting a significant hurdle in advancing business operations.

(2) Information necessary to clarify rights and obligations

In the areas of cryptoassets and NFTs, where accounting standards are not yet fully developed, there is a problem regarding the “**difficulty in identifying the legal validity of the transaction itself and the rights and obligations between the issuer and the holder.**” To address this issue, it is essential to first organize the information necessary to clarify these rights and obligations.

The Web3.0 Research Materials state that it is important for business operators (management) to collect information supporting the appropriateness of accounting treatment, considering the use of legal and accounting experts, and to establish a system that enables them to make appropriate accounting decisions based on the collected information.⁵⁰ The Materials also provide specific examples of matters that should be considered.

Drawing on the issues and points raised in the Web3.0 Research Materials, the matters that should be considered, particularly those related to rights and obligations related to RWA tokens covered by the Guideline, are as follows.

- **Rights and obligations:** Rights and obligations owed by the issuer, primary buyers, purchasers and sellers after secondary distribution, transaction platforms, and managers of Real-World Assets, among others
- **Goods or services to be provided:** Contents and duration of goods or services to be provided by the RWA token issuer, the relationship between goods or

⁵⁰ It is important to verify whether the appropriate systems are in place to evaluate and comply with financial regulations, including the classification of cryptoassets, electronically recorded transferable rights to be indicated on securities, etc., and their status as securities under the U.S. Securities and Exchange Act. Additionally, it is crucial to ensure that measures are established to prevent the use of these assets in organized crimes such as terrorist financing and money laundering, and to assess the risks of violating other laws and regulations, such as gambling regulations and intellectual property rights. Furthermore, compliance with these laws and regulations must be confirmed, especially in cases where self-issued tokens are widely sold or platforms are provided, to ensure the protection of users and other stakeholders.

services to be provided and the consideration received by the issuer, and the obligations, including penalties, if the issuer is unable to provide goods or services to the holder

- **Legal positioning of the token:** The legal status of the token under private law, the classification of the token as a cryptoasset, the nature of the token, its asset characteristics in the case of self-issued tokens, and the applicable laws and regulations governing the exercise of rights or fulfillment of obligations
- Other contracts that are considered to benefit or disadvantage the holder.

(3) Terms of use

When considering the accounting treatment of RWA tokens, as mentioned above, it is necessary to specify the rights and obligations between the issuer and the holder of the token. The Web3.0 Research Materials focus on documents such “White papers, contracts between issuers and holders, terms of use of tokens, etc.”⁵¹ to specify such rights and obligations.

Among the documents mentioned above, the contracts are typically not disclosed, while white papers and terms of use are publicly available.⁵² Of these, the legal status of white papers is often unclear, and there are no mechanisms to ensure the accuracy of their contents or processes for purchasers to acknowledge their understanding of the contents. Therefore, the Web3.0 Research Materials assess that it is difficult to clarify the rights and obligations under private law based on the interpretation of legal validity and described content.⁵³

On the other hand, terms of use are public documents that can address the rights and obligations of a wide range of parties, such as issuers, primary buyers, purchasers and sellers after secondary distribution, trading platforms, and managers of Real-World Assets, among others. The legal positioning and the process of rights and obligations are also clear in that a contractual relationship can be formed by presenting and agreeing to the Terms of Use.

Taking these points into consideration, the Guideline will mainly focus on terms of

⁵¹ On the other hand, it has also been pointed out that even if multiple contracts (including oral or custom) including white papers are identified in order to identify rights and obligations in the issuance of tokens, there are cases where various disclaimers are included, making it difficult to identify rights and obligations.

⁵² While contracts are useful sources of information for auditing, the Guideline focus on terms of use, which are public information, because they aim to “Organize issues and issues to be resolved across industries and also carry out studies to resolve them.”

⁵³ The Association and the Japan Virtual and Crypto assets Exchange Association, “Matters to be Considered in Accounting for Cryptoasset,” also point out that white papers are positioned as a customary tool to eliminate information asymmetry.

use. It can also be pointed out that RWA tokens that are not security tokens generally do not disclose information based on laws and regulations, such as disclosures under the Financial Instruments and Exchange Act. This further demonstrates the significant role that terms of use play in understanding rights and obligations associated with these tokens.

As a reference, the Guideline includes an appendix at the end, which provides a template for terms of use. This template is based on the items presented in (2) above and is designed to clarify the rights and obligations associated with RWA tokens, assuming certain use cases.

2. Points of Attention by Type of Token

If the type of Real-World Assets linked to the token and the associated rights and obligations are the same, the economic substance of the token will not change even if the applicable laws and regulations differ. However, when different laws apply, the quality and quantity of disclosure information required, the internal management systems of the issuers and holders utilizing the RWA tokens, and the accounting treatment, including the valuation of the tokens, may vary despite having the same economic substance.

The Guideline addresses the challenges faced by businesses that utilize RWA tokens in preparing appropriate financial statements and undertaking audits and mainly focuses on clarifying the rights and obligations related to these tokens. As mentioned above, accounting treatment is affected by the type of laws and regulations applicable to tokens. For this reason, key considerations for each type of token are summarized below.

(1) Review of applicable laws and regulations

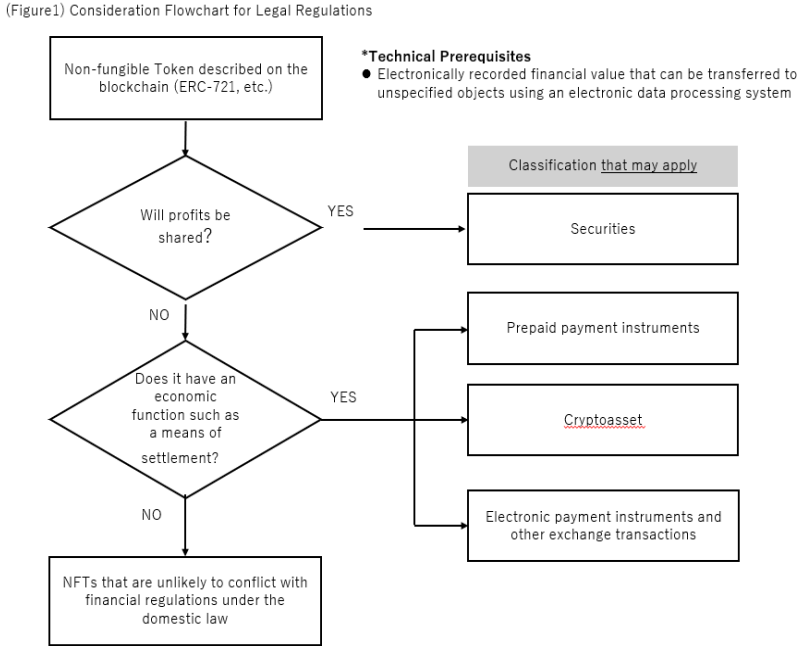
In new business areas such as the Web3.0 business, which includes RWA tokens, it is difficult to understand the economic rationality of transactions, to identify rights and obligations between issuers and holders which serve as prerequisites for accounting treatment, and to make accounting decisions. Additionally, there are many cases where the relevant laws and regulations governing the business itself are not clear. For this reason, it is important to clarify the applicable laws and regulations applicable when considering the accounting treatment of tokens linked to Real-World

Assets.

For example, when tokens qualify as a cryptoasset, accounting treatment of cryptoassets in Japan is specified in Practical Solutions Report No. 38, “Immediate Treatment of Accounting Treatment of Cryptoasset under the Payment Services Act,” as described above. In addition, when tokens are sold through a cryptoasset exchange company, the self-regulatory rules of the Japan Virtual and Crypto assets Exchange Association (Hereinafter referred to as “JVCEA”) are applied. Therefore, the scope of public information that can be collected for accounting treatment considerations is significantly different from that for NFTs.

When considering the laws and regulations applicable to tokens, the flowchart for the consideration of applicable laws and regulations in the “Guidelines for NFT Business, 3rd Edition”⁵⁴ (Hereinafter referred to as “NFT Guidelines”) published by the Association can be used as a reference.

Figure 9: Flowchart of Legal and Regulatory Considerations



Source: NFT Guidelines

This flowchart is designed to first examine the applicability of financial regulations. Specifically, it assesses whether the token qualifies as a security under the Financial

⁵⁴ The Association https://cryptocurrency-association.org/cms2017/wp-content/uploads/2024/08/JCBA_NFTguideline_v3.pdf

Instruments and Exchange Act based on the presence or absence of profit distribution. Next, it focuses on the economic functions of the token as a means of payment, considering whether it qualifies as a prepaid payment instrument, electronic payment instrument, or cryptoasset under the PSA.

Furthermore, the NFT Guidelines point out that, in addition to financial regulations, gambling offenses and the Act against Unjustifiable Premiums and Misleading Representations may be applicable. It is also necessary to examine the potential applicability of the following laws and regulations.⁵⁵

- Act on Deposit Transactions
- Warehousing Business Act
- Secondhand Goods Business Act
- Sake wholesale business

(2) Considerations regarding RWA tokens classified as cryptoasset

As mentioned above, the accounting treatment and disclosure for holders of cryptoasset issued by other companies are specified in Practical Solutions Report No. 38. However, the accounting standards for holding self-issued cryptoasset and issuing cryptoasset are not clearly defined. Consequently, companies must decide on the accounting treatment by referring to existing accounting standards based on economic conditions and other relevant factors.

Of these, when a company holds self-issued cryptoasset from the time of issuance⁵⁶, this is not subject to accounting treatment prescribed in the Accounting Standards Board of Japan's "Discussion Paper on Accounting Treatment for the Issuance and Holding of ICO Tokens Classified as cryptoasset under the Payment Services Act or as Electronically Recorded Transferable Rights under the Financial Instruments and Exchange Act"⁵⁷(hereinafter referred to as the "**Discussion Paper**").

In addition, when cryptoasset are sold through cryptoasset exchange service providers as defined in the PSA, the "Rules on the Sale of New Cryptoassets" established by JVCEA, a self-regulatory organization for cryptoasset exchange service

⁵⁵ Reference to the Association, "Key Regulatory Considerations for Issuing RWA Tokens" (April 4, 2024). From the perspective of a business operator, it is necessary to comprehensively check applicable laws and regulations, but some laws and regulations may not necessarily be considered important in view of the difficulty of commissioning an audit.

⁵⁶ For example, self-allocation of ICO tokens may be considered.

⁵⁷ Accounting Standards Board of Japan (https://www.asb-j.jp/wp-content/uploads/sites/4/crypto-assets2022_02.pdf)

providers, outline the matters that JVCEA members must comply with when selling cryptoassets. These include information disclosure, appropriate management of raised funds, and monitoring of performance status. These activities and records created during these processes are considered useful for auditors.

Thus, when the issued tokens qualify as cryptoassets, the information disclosed at the time of issuance ensures a certain level of information disclosure, especially when compared to NFTs, which will be discussed later.

Web3.0 Research Materials also state that “auditors should verify that the identified obligations are supported by documents such as white papers or opinions from legal experts and that the accounting judgments based on the identified rights and obligations are appropriate when receiving explanations from management who perform the accounting treatment.” Therefore, the **terms of use** for the issuance of cryptoassets should be prepared with reference to these laws and regulations. However, none of the above strongly focus on cryptoassets linked to Real-World Assets. There may be issues that do not necessarily apply to RWA tokens, which are cryptoassets with relatively clear rights and obligations and whose prices can be valued based on Real-World Assets. For example, the case mentioned in the Discussion Paper where the token issuer does not bear any obligations is generally not assumed for RWA tokens.

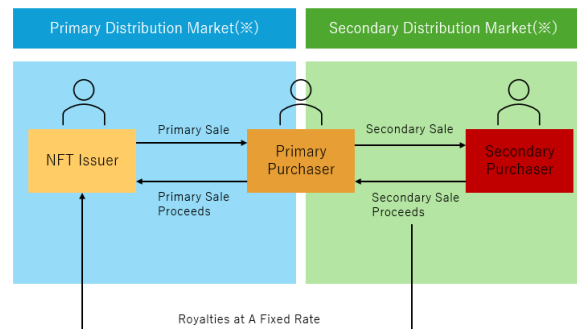
(3) Considerations regarding RWA tokens classified as NFTs

In the case of NFTs, the design of NFTs is highly individualized and “very diverse”⁵⁸ (Web3.0 Research Materials), and the rights represented by each NFT differ for each token. Therefore, a lot of information is required when considering accounting treatment.

In addition, there are many secondary markets for NFTs, and some of them operate under a scheme where the issuer receives a certain percentage of the purchase price as a so-called royalty for transactions in the secondary market. (See Chart 10 below)

⁵⁸ Some use cases are linked to real world assets that are subject to the Guideline, such as the use rights of facilities as tokens, but there are also many use cases in which property rights that are not subject to the guidelines or are not property rights in the first place, such as the right to participate in events, browsing right of digital art, or the right to use land built in a virtual space called a metaverse, are represented.

Figure 10: Examples of General NFT Distribution



*In some cases, primary sales are made on a sales site established by NFT issuers, and secondary distribution is made on well-known external marketplaces in Japan and overseas, such as [OpenSea](#), or both primary and secondary sales are made on external marketplaces.

Source: Web3.0 Research Materials

The Guideline discusses the positioning of terms of use in the context of rights and obligations, focusing on the primary sale and receipt of royalties for NFTs, while taking into account their characteristics as follows:

① Primary sale of RWA tokens classified as NFTs

When a business issues and primary sells NFTs linked to Real-World Assets, assuming that these NFTs do not qualify as cryptoasset or electronically recorded transferable securities, it is considered “In many cases, the transaction is treated in accordance with the Accounting Standards for Revenue Recognition” (Web3.0 Research Materials).

When the Accounting Standards for Revenue Recognition are applied to the primary sale of RWA tokens classified as NFTs (hereinafter referred to as “**NFT-type RWA token**”), due to the highly diverse nature of NFTs, the “**identification of performance obligations**” becomes a challenge (Web3.0 Research Materials).

Therefore, “If it is unclear what rights and obligations exist between the issuer and the holder in the sale of NFTs, it is difficult to identify performance obligations in light of the Accounting Standards for Revenue Recognition” (Web3.0 Research Materials).

On the other hand, in the case of NFT-type RWA tokens, it is generally not assumed that the token issuer bears no obligations, and the rights of token holders are considered to be relatively clear. In other words, in the case of NFT-type RWA tokens, by clearly describing the rights and obligations in the **terms of service**, it will be easier to avoid situations where identifying performance obligations becomes difficult.

② Accounting for royalties

Regarding royalties in the secondary market of NFTs mentioned above, the Web3.0 Research Materials state that “In accounting for royalties, it is necessary to clarify what kind of goods or services the issuer provides and from whom the royalties are received (whether they are received from the seller in a transaction between third parties or from the buyer).”

Paragraph 127 of the Accounting Standards for Revenue Recognition states that a contract with a customer may include not only the goods or services explicitly specified in the contract, but also promises implied by customary trade practices, published policies, etc. The **terms of use** are considered to fall under such promises.

Additionally, the terms of use are also considered useful as a means of clarifying from whom the royalties received by issuers who are not directly involved in third-party transactions are based on the provision of goods or services and from whom they are received.

Chapter 4 Medium to Long-term Issues

In this chapter, issues that are useful for promoting businesses that utilize RWA tokens, but that require ongoing consideration, such as certain issues that are expected to take a considerable amount of time to resolve, are discussed as medium to long-term issues.

The medium- to long-term issues are divided into those that require the development of legal systems and those that require efforts by the industry, as follows.

1. Legal Systems

(1) How to comply with the requirements to assert against third parties

In the Guideline, we have proposed methods to link the transfer of tokens with the transfer of Real-World Assets, such as the use of trust with certificates of beneficial interest, transfer of possession of movables by instruction, and issuance of prepaid payment instruments. By adopting such methods, token holders will be able to hold and trade Real-World Assets stably to some extent.

However, for example, if it is clarified by law that Real-World Assets are definitively transferred through the transfer of tokens without having to go through the interpretation of transfer of possession by instruction, stability will increase.

In this way, if more flexibility can be achieved in how to meet the requirements to assert against third parties, the stability of transactions will improve, and it will be possible to promote business while ensuring the smooth protection of sellers and purchasers of RWA tokens.

(2) Ownership of immaterial objects

As a result of various attempts to be made in the future, the types of Real-World Assets linked to tokens may vary widely. Typically, immaterial objects, such as digital art, are not subject to ownership under the current Civil Code in the first place, and the included rights, including intellectual property rights, are complex, and it is difficult to organize them as simple transfer of claims.

Therefore, depending on the content of Real-World Assets, there may be many uncertainties in the clarity and legal stability from the viewpoint of the relationship between token transfer and the transfer of rights related to Real-World Assets, and from the viewpoint of requirements to assert against third parties. These problems will inevitably become more complicated as variations of all Real-World Assets linked to tokens increase, and this shows that there is a limit to organizing them according to the current law.

One possible solution to this problem is to take drastic measures by reviewing the legal system itself. For example, as a general principle covering various Real-World Assets, it is possible to establish a legal system in which the transfer of a token linked to Real-World Assets is regarded as the transfer of Real-World Assets (in a manner that meets the requirements to assert against third parties), or to establish a new law regarding the rights related to the transfer of tokens in the first place.

2. International Initiatives

In order to make the transfer of a token a transfer of Real-World Assets, it is necessary to mark the property rights of the Real-World Assets in the token and ensure that the Real-World Assets is linked to the token even after the transfer. However, Japanese law does not always apply to cross-border transfers, which is an advantage of token transactions, and it is not easy to ensure that the Real-World Assets are linked to the token even after the transfer.

In the following, some efforts to address the above issues are discussed. Although not discussed in detail in the Guideline, cooperation with such efforts is considered important to promote the use of RWA tokens.

(1) UNIDROIT

Its official name is the International Institute for the Unification of Private Law (International Institute for the Unification of Private Law).⁵⁹ It is an intergovernmental international organization based in Rome, Italy. Its purpose is to study and deliberate on the necessity and methods of modernization and adjustment of private law in each country, especially commercial law.

The organization was initially established in 1926 as an agency of the then League of Nations, and it was reestablished in 1940 based on the Charter of the UNIDROIT. The current membership consists of 65 countries, including Japan.

The “Digital Assets and Private Law Project” was launched in 2020, and the UNIDROIT Principles on Digital Assets and Private Law were adopted by the UNIDROIT Governing Council in May 2023.⁶⁰ The principles set forth the principles of legal rules under private law for digital assets, with a focus on the principles of property rights.

⁵⁹ <https://www.unidroit.org/>

⁶⁰ <https://www.unidroit.org/work-in-progress/digital-assets-and-private-law/>

(2) ISO/TC307

At present, ISO (International Organization for Standardization)/TC307 (Expert Committee on Blockchain and Electronic Distributed Ledger Technology)⁶¹ is discussing and studying how to record data and information equivalent to the terms of use in tokens.

Conforming to these international standards is considered to be particularly useful for cross-border transactions and secondary distribution across multiple platforms. However, these discussions are at an early stage, and no specific description method or common format has been established.

⁶¹ The 307th technical committee was established by ISO.

Attachment 1 Draft Template of Terms of Use for Tokens

Transactions and other business structures envisioned in this template

- Type of token: NFT (ERC-721 token)
- Real-World Assets linked to the token: contractual rights and obligations (Including a claim for delivery of fungible movables)
- Token Issuer: Primary Seller
- Primary Seller: company A or other sellers
- Primary sales marketplace operator: company A
- Secondary distribution marketplace: those operated by company A and general NFT marketplace

[Name of Terms of Use]

Chapter 1 General Provisions

Article 1 General Provisions

1. For the purpose of setting the terms and conditions for the transaction of [NFT Name] in Primary Sales Transactions and Interpersonal Transactions as well as the terms and conditions for the delivery of the subject products, the Terms of Use (Hereinafter referred to as “the Terms”.) are established.
2. The Primary Seller shall use the Terms for all market transactions on the Market, and Users and Purchasers shall agree to them.
3. Users and Purchasers shall abide by the [Marketplace Name] Terms of Use (hereinafter referred to as “Terms of Use for Users”).

Article 2 Definition

The following terms used in the Terms have the following meanings unless otherwise specified in the Terms.

1. “The Market” means the sales platform [Marketplace Name], where [NFT Name] and other products are sold.
2. “The Service” means all services provided on the Market.
3. “Market Administrator” means Company A.
4. “User” means any person who has accessed or used the Market or the Service.
5. “Purchaser” means any person who has purchased [NFT Name] on the Market (It is not limited to Primary Purchasers but also includes those who have received transfer of

- [NFT Name] for value through Interpersonal Transactions.).
6. "Primary Sales Transaction" means the purchase and sale of [NFT Name] between the Primary Seller and the Purchaser on the Market.
 7. "Primary Purchaser" means the purchaser who purchased [NFT Name] from the Primary Seller.
 8. "Ultimate Holder" means the person who currently holds [NFT Name] on which a complete and valid Right to Claim Delivery is represented.
 9. "Interpersonal Transaction" means the transfer of [NFT Name] by the Ultimate Holder to a third party for value or free of charge (excluding Primary Sales Transactions).
 10. "Subsequent Purchaser" means a person who receives the transfer of [NFT Name] from the Ultimate Holder through an Interpersonal Transaction for value.
 11. "Market Transactions" means Primary Sales Transactions and Interpersonal Transactions.
 12. "[Movable Name]" means [Description of Movables].
 13. "Primary Seller" means a business entity that is authorized to sell, etc. [NFT Name] on the Market.
 14. "Listing" means the act of posting information related to [Movable Name] on the Market by the Primary Seller or the Ultimate Holder for the purpose of selling [NFT Name], in accordance with the prescribed manner of the Market.
 15. "Product Description" means the documents (including electromagnetic media) related to [NFT Name] listed by the Primary Seller on the Market and notified by the Primary Seller to the Market Administrator.
 16. "Listed Product" means the [Movable Name] that has been listed among the products stated in the Product Description.
 17. "Target Product" means the specific Listed Product that the Primary Seller delivers upon the Ultimate Holder's exercise of the Right to Claim Delivery.
 18. "The Right to Claim Delivery" means the Right to Claim Delivery of the Target Product to the Primary Seller.
 19. "[NFT Name]" means a non-fungible token issued on the blockchain that represents the Right to Claim Delivery.
 20. "Use of [NFT Name]" or "Using [NFT Name]" means claiming the delivery of the Target Product by exercising the Right to Claim Delivery, while satisfying all of the following conditions:
 - (1) Transfer of [NFT Name] to the Primary Seller in accordance with the prescribed manner of the Market

- (2) Notification of the Designated Delivery Location
 - (3) Payment of Delivery Charges, etc. in accordance with the prescribed manner of the Market
21. "Designated Delivery Location" means the delivery location of the target product notified to the Primary Seller in accordance with the prescribed manner of the Market.
 22. "Delivery Charges, etc." means the transaction fees and delivery charges to the Designated Delivery Location calculated in accordance with the standards set in advance by the Primary Seller.
 23. "Sales Contract" means the sales contract for [NFT Name] established in accordance with Article 5, Paragraph 1.
 24. "[NFT Name], etc." means [NFT Name] and other products approved for listing on the Market by the Market Administrator.
 25. "Royalty" means a fee received by the Primary Seller from the parties involved in an Interpersonal Transaction when [NFT Name] is traded between individuals for value, calculated based on the transfer price of the Interpersonal Transaction.
 26. "Market Commission" means a commission received by the Market Administrator from the parties involved in an Interpersonal Transaction when [NFT Name] is traded for value, calculated based on the transfer price of the Interpersonal Transaction.
 27. "Cryptoasset" means a cryptoasset as defined under Article 2, Paragraph 14 of the Payment Services Act and other applicable laws and regulations.
 28. "Gas Fee" means the network fee incurred when transactions are conducted on the blockchain.
 29. "Wallet" means a service designated by the Market Administrator for receiving, storing, displaying, and sending [NFT Name] and Cryptoasset.
 30. "Wallet Address" means the address assigned by the Wallet to manage or store [NFT Name] and other Cryptoasset.

Chapter 2 Primary Sales Transactions

Article 3 Listing

1. A Primary Seller may list [NFT Name] on the Market in accordance with the prescribed procedures of the Market.
2. When listing [NFT Name] on the Market, the Primary Seller shall indicate the storage method of the Target Products.
3. The Primary Seller may set the date on which the [NFT Name] can be used (hereinafter

referred to as “Available Date”.) and the date on which the Target Product can be shipped.

4. The Primary Seller shall determine the Delivery Charges, etc. (as described in the Attachment ●).

Article 4 Purchase Application

1. The Purchaser may make an application to purchase [NFT Name] listed by the Primary Seller by complying with the Terms and the prescribed procedures of the Market.
2. The Purchaser shall designate the storage period of the Target Product in conjunction with the submission of the purchase application set forth in the preceding paragraph.

Article 5 Conclusion of Sales Contract

1. A Sales Contract for [NFT Name] shall be deemed established between the Primary Seller and the Primary Purchaser when the Primary Purchaser pays for the purchase of [NFT Name] and the Primary Seller accepts the purchase application set forth in the preceding Article.
2. The payment for the purchase of [NFT Name] set forth in the preceding Paragraph shall be the total amount of the purchase price of [NFT Name], ... fees and storage charges for the Target Product (hereinafter referred to as “Storage Fees, etc.”). The Primary Seller may, at its discretion, determine the price of [NFT Name], regardless of its actual value.
3. The payment method for the purchase price of [NFT Name] set forth in the preceding paragraph shall be ...[e.g. payment by credit card in Japanese yen, payment using Cryptoasset designated by the Primary Seller, etc.]. [Provisions may be included regarding the allocation of Gas Fees for Cryptoasset payments, if necessary.]
4. Upon the conclusion of the Sales Contract, the Primary Seller shall send [NFT Name] purchased by the Primary Purchaser to the designated Wallet Address, except in cases where ... The transaction shall be deemed completed upon such transfer.
5. The Primary Purchaser may not cancel the Sales Contract after it has been concluded.
6. If the Primary Seller decides not to send [NFT Name] based on Paragraph 4, the Primary Seller may cancel the Sales Contract. In such cases, if the Primary Seller receives ... from the Primary Purchaser, it shall be returned in accordance with ... Any costs incurred for such return shall be borne by ...

Article 6 Storage and Shipping

1. Upon the conclusion of the Sales Contract, the Primary Seller shall store the Target Product using the storage method provided in Article 3, Paragraph 2.
2. Before commencing storage, the Primary Seller shall identify the Target Product by assigning an individual identification number to the [NFT Name] transferred to the Purchaser. Once the Target Product has been identified by assigning an individual identification number, only the Target Product with the assigned number shall be eligible for delivery upon the use of [NFT Name] by the Ultimate Holder.
3. The Primary Seller shall store the product in accordance with Paragraph 1, with the due care of a prudent manager, until the expiration of the storage period designated under Article 4, Paragraph 2 (hereinafter referred to as the “Designated Storage Period”), counted from the date of the Sales Contract conclusion.
4. The Ultimate Holder of [NFT Name] may use [NFT Name] at any time until the Designated Storage Period. However, if the Primary Seller sets the Available Date for [NFT Name], [NFT Name] may only be used on or after the Available Date.
5. If the Ultimate Holder uses [NFT Name] before the expiration of the Designated Storage Period in accordance with the preceding paragraph, [Provisions may be included regarding whether all or part of the Storage Fees, etc. will be refunded, if necessary].
6. The Ultimate Holder of [NFT Name] shall complete the use of [NFT Name] by the end of the Designated Storage Period. Notwithstanding the provisions of this paragraph, if the use of [NFT Name] is not completed by the end of the Designated Storage Period, the Primary Seller may terminate [NFT Name]. Furthermore, if [NFT Name] is terminated in accordance with this paragraph, the Primary Seller shall also lose the Right to Claim Delivery of the Target Products represented on [NFT Name].
7. The Primary Seller shall sell the Target Products of [NFT Name] terminated in accordance with the preceding paragraph in accordance to the manner described in If the Primary Seller obtains revenue from such sale,
8. Except as provided in the preceding paragraph, the Primary Seller shall not be liable for any damages incurred by Users, Purchasers, or Ultimate Holders as a result of the termination of [NFT Name] under Paragraph 6.

Chapter 3 Interpersonal Transactions

Article 7 Transfer of [NFT Name]

1. The Ultimate Holder may transfer [NFT Name] to a third party either for value or without consideration, on the Market. Note that the Ultimate Holder may not transfer either [NFT

Name] or the Right to Claim Delivery separately; if [NFT Name] is transferred, the Right to Claim Delivery shall be transferred together, and if the Right to Claim Delivery is transferred, [NFT Name] shall also be transferred.

2. If the Ultimate Holder transfers [NFT Name] to a third party, the Ultimate Holder must ensure that the third party assumes the rights and obligations under the Terms.
3. If the Ultimate Holder transfers [NFT Name] to a third party in compliance with the Terms, and the third party agrees that the Terms apply to all transactions involving [NFT Name] (such agreement being deemed given upon the third party's receipt or purchase of [NFT Name]), the Primary Seller shall acknowledge the transfer of [NFT Name] and the Right to Claim Delivery to the third party without objection.
4. If the transfer for value is effective, the Ultimate Holder must pay Royalties and Market Commissions from the received payment for [NFT Name]. The Market Commissions shall be paid directly to the Market Administrator, and the Royalties shall be paid directly to the Primary Seller.
5. The payment method for the Royalties and the Market Commissions in the preceding paragraph may include ... [e.g. payment by Cryptoasset designated by the Market Administrator].
6. The transfer of [NFT Name] incurs Gas Fees as actual expenses. Such Gas Fees shall be borne by...

Article 8 Transfer of [NFT Name] Outside the Market

In the event that the Ultimate Holder transfers [NFT Name] to a third party in a marketplace other than the Market, the Ultimate Holder shall bear full responsibility for such transfer, and the Primary Seller shall not be liable for any costs, issues, disputes or any other matters arising in connection with the transfer.

Chapter 4 Delivery

Article 9 Claim for Delivery

A person holding a legally valid Right to Claim Delivery may receive delivery of the target product to the Primary Seller. However, the Right to Claim Delivery must be exercised by the person who holds the Right to Claim Delivery in one of the following ways.

- (1) Using [NFT Name] on the Market in accordance with the prescribed manner of the Market
- (2) Providing objective materials such as information on XX and confirmation

documents related to such information at the business office designated by the Primary Seller.

Article 10 Delivery

1. When [NFT Name] is used in accordance with the prescribed manner of the Market, the Primary Seller shall deliver the Target Products to the Designated Delivery Location without delay. However, this shall not apply in cases where ...
2. Notwithstanding the preceding paragraph, if ..., the Primary Seller shall store the Target Products for XX days after the completion date of use of [NFT Name]. During this storage period, the Ultimate Holder shall receive delivery of the Target Product at ... The Primary Seller shall store the Target Product with the same level of care as it exercises for its own assets.
3. In the case of the preceding paragraph, the Ultimate Holder may receive the Target product by providing the information regarding ..., as requested by the Primary Seller. The costs associated with the delivery of the Target Product shall be borne by XX.
4. In the case of paragraph 2, if the Primary Seller has already initiated shipping process for the Target product after completing the use of [NFT Name], the Delivery Charges, etc. shall not be refunded. On the other hand, if the Primary Seller stores the Target Product in accordance with Paragraph 2 prior to initiating the shipping process, the Primary Seller shall refund the amount equivalent to the ... via ...
5. When [NFT Name] is used in accordance with the prescribed manner of the Market, it shall be deemed that the Right to Claim Delivery has been exercised by the rightful and valid holder of the Right to Claim Delivery. Furthermore, once the Primary Seller delivers the Target Product in response to the use of [NFT Name], such delivery shall be deemed to be a valid performance of the Primary Seller's obligation related to the Right to Claim Delivery and the Primary Seller shall bear no further liability for such delivery.
6. The ownership of the Target Product shall be transferred from the Primary Seller to the Ultimate Holder upon the completion of delivery in accordance with this Article.

Article 11 On-Site Delivery

1. In addition to the method set forth in the preceding Article, a person holding a legally valid Right to Claim Delivery may receive the Target Product in the case of ...
2. The costs associated with the delivery of the Target Product in the case of the preceding paragraph shall be borne by XX.
3. When the Primary Seller delivers the Target Product pursuant to Paragraph 1, [NFT

Name], representing the Right to Claim Delivery for the Target Product, shall simultaneously become invalid.

4. The ownership of the Target Product shall transfer from the Primary Seller to the holder of the Right to Claim Delivery at the time of delivery in accordance with Paragraph 1.

Chapter 5 Damage to the Target Product, etc.

Article 12 Defects, Damage, etc. of the Target Product

1. Except as otherwise provided in the following paragraphs of this article, the Target Product delivered upon the use of [NFT Name] shall not be eligible for refunds returns, repairs or exchanges.
2. In the event that the Target Product is damaged or otherwise rendered impossible or extremely difficult to fulfill the delivery obligation before the delivery is completed, the corresponding [NFT Name] shall be automatically invalidated. Furthermore, where [NFT Name] is invalidated pursuant to this paragraph, the Right to Claim Delivery associated with the relevant [NFT Name] shall also be forfeited.
3. Where the invalidation of [NFT Name] under the preceding paragraph is caused by reasons attributable to the Primary Seller, the Primary Seller shall compensate the Ultimate Holder for ..., provided that the compensation shall not exceed ...
4. The Primary Seller shall pay the amount stipulated in the preceding paragraph in ...
5. In the event that [NFT Name] is invalidated pursuant to paragraph 2 for reasons not attributable to the Primary Seller, the Primary Seller shall pay ...
6. Except as otherwise provided in this article, where the Target Products is damaged or otherwise rendered impossible or extremely difficult to fulfill delivery obligation before the delivery is completed, the Primary Seller shall not be liable for any other compensation or indemnification.
7. In the event that the Target Products is damaged or otherwise rendered impossible or extremely difficult to fulfill the delivery obligation before the delivery is completed, ...

Chapter 6 Prohibited Acts

Article 13 Prohibitions

1. Users and Purchasers shall not engage in any of the following acts:
 - (1) Acts that violate the Terms or the Terms of Use for Users.
 - ...

- (2) Acts of jointly engaging in any of the acts listed in the preceding items with a third party, or acts of inciting or assisting a third party in engaging in such acts.
 - (3) Any other acts that the Primary Seller, based on reasonable grounds, determines to be significantly inappropriate.
2. In the case that the Primary Seller reasonably determines that the Ultimate Holder has violated the preceding paragraph, Primary Seller may terminate [NFT Name] held by the Ultimate Holder. Users and Purchasers shall understand and accept in advance that their [NFT Name] may be terminated under such circumstances before purchasing [NFT Name]. Furthermore, in the event that [NFT Name] is terminated under this paragraph, the Right to Claim Delivery associated with the relevant [NFT Name] shall also be forfeited.
3. In the case that the Primary Seller obtains revenue from the disposal of the Target Product associated with the [NFT Name] terminated under the preceding paragraph, the proceeds shall be transferred to However, this shall not apply if the Ultimate Holder violated the Terms.
4. Except as provided in the preceding paragraph, the Primary Seller shall not be liable for any damages incurred by Users, Purchasers, Ultimate Holders, or other third parties because of the termination of [NFT Name] pursuant to paragraph 2.

Chapter 7 Disclaimer

Article 14 Disclaimer

To the maximum extent permitted by applicable laws, the Primary Seller shall not be liable for any of the following damages:

- (1) Damages arising from . . .
 . . .
- (2) In addition to the damages set forth in the preceding items, any damages arising from causes not attributable to the Primary Seller.

Article 15 Indemnification

Users and Purchasers shall, upon request by the Primary Seller, defend, indemnify, and hold harmless . . . from and against any and all claims, demands, liabilities, obligations, damages, losses, costs, and expenses (including reasonable attorney's fees) arising out of or in connection with third-party claims related to the following:

- (1) Users' or Purchasers' use or misuse of the Market or the Service

- (2) Users' or Purchasers' violation of the Terms
- (3) Users' or Purchasers' infringement of third-party rights (including, but not limited to, intellectual property rights, data protection rights and privacy rights)

Chapter 8 Miscellaneous Provisions

Article 16 Notifications

1. Purchasers shall register ... in the user registration information in accordance with the prescribed method of the Market.
2. Notification from the Primary Seller to Purchasers shall be made via Any disadvantages incurred due to ... shall be borne by Purchasers.
3. Purchasers agree in advance that, when the Primary Seller or the Market Administrator sends a notification via ... method, such notification shall be deemed to have been received by Purchasers at

Article 17 Communication and Promotions

The Primary Seller may contact Users or Purchasers via ... for the purpose of

Article 18 Personal Information

The Primary Seller shall handle the personal information of Purchasers and Users in accordance with the Privacy Policy, which is separately established and publicly disclosed.

Article 19 Governing Law and Jurisdiction

These Terms shall be construed in accordance with the laws of Japan. In the event that litigation becomes necessary in relation to the Terms, the XX District Court shall have exclusive jurisdiction as the court of first instance.

Article 20 Validity of the Terms

1. In the event that any provision of the Terms is deemed invalid or unenforceable pursuant to applicable laws, the remaining provisions shall continue to be valid and enforceable and shall not be affected or impaired by such illegality, invalidity, or unenforceability.
2. Where any provision of the Terms is deemed invalid or revoked with respect to a specific User, the Terms shall remain valid and enforceable with respect to all other Users.

Article 21 Amendments to the Terms

In the event of any amendments to the Terms, the Market Administrator shall notify Users in accordance with the prescribed methods, such as posting the revised Terms on the Market, taking into consideration the impact and operational status, of the Service, etc. The revised Terms shall become effective either after a specified notice period has elapsed or at the time the User uses the Service after such notification, whichever occurs earlier.

Attachment 2 Draft Template of Terms of Use for Platforms

The transactions and other business structures envisioned in this template.

- Types of tokens: NFT (ERC-721 Token)
- Real-World Assets linked to the token: contractual rights and obligations (Including a claim for delivery of fungible movables)
- Real-World Assets owner/token issuer: Primary Seller
- Primary Seller: Company A or other sellers
- (Primary sales and secondary distribution) Market operator: Company A

[Name of Terms of Use]

Article 1 General Provisions

Company A (hereinafter referred to as the “Market Administrator”) establishes the [Terms of Use Name] (hereinafter referred to as the “Terms”) with the aim of setting forth the matters that Users must comply with regarding the Market and the Service.

Article 2 Definition

1. “The Market” means the sales platform [Marketplace Name], where [NFT Name] and other products are sold.
2. “The Service” means any service provided on the Market.
3. “User” means a person who has used or intends to use the Market or the Service.
4. “Purchaser” means a person who has purchased [NFT Name] on the Market (including a person who has acquired [NFT Name] through a transfer for value in an Interpersonal Transactions).
5. “Primary Sales Transaction” means the purchase and sale of [NFT Name] between Primary Seller and Purchaser on the Market.
6. “Primary Purchaser” means a purchaser who has purchased [NFT Name] from the Primary Seller.
7. “Ultimate Holder” means the person who currently holds [NFT Name] on which a complete and valid Right to Claim Delivery is represented.
8. “Interpersonal Transaction” means the transfer of [NFT Name] by Ultimate Holder to a third party for value or free of charge (excluding Primary Sales Transactions).
9. “Subsequent Purchaser” means a person who intends to receive or has received transfer of [NFT Name] from the Ultimate Holder through an Interpersonal Transaction for value.

10. "Market Transactions" means Primary Sales Transactions and Interpersonal Transactions.
11. "[Movable Name]" means [Description of Movables].
12. "Primary Seller" means a business entity authorized to sell, etc. [NFT Names] on the Market.
13. "Listing" means the act of posting information related to [Movable Name] on the Market by the Primary Seller or the Ultimate Holder for the purpose of selling [NFT Name], in accordance with the prescribed manner of the Market.
14. "Product Description" means the documents (including electromagnetic media) related to [NFT Name] listed by the Primary Seller on the Market and notified by the Primary Seller to the Market Administrator.
15. "Listed Product" means the [Movable Name] that has been listed among the products stated in the Product Description.
16. "Target Product" means the specific Listed Product that the Primary Seller delivers upon the Ultimate Holder's exercise of the Right to Claim Delivery.
17. "Right to Claim Delivery" means the right to claim delivery of the Target Product to the Primary Seller.
18. "[NFT Name]" means a non-fungible token issued on the blockchain that represents the Right to Claim Delivery.
19. "Use of [NFT Name]" or "Using [NFT Name]" means claiming the delivery of the Target Product by exercising the Right to Claim Delivery, while satisfying all of the following conditions:
 - (1) Transfer of [NFT Name] to the Primary Seller in accordance with the prescribed manner of the Market
 - (2) Notification of the Designated Delivery Location
 - (3) Payment of delivery charges, etc. in accordance with the prescribed manner of the Market
20. "Designated Delivery Location" means the delivery location of the Target Product notified to the Primary Seller in accordance with the prescribed manner of the Market.
21. "Delivery Charges, etc." means the transaction fees and delivery charges to the Designated Delivery Location calculated in accordance with the standards set in advance by the Primary Seller.
22. "[NFT Name], etc." means [NFT Name] and other products approved for listing on the Market by the Market Administrator.
23. "Cryptoasset" means the cryptoasset as defined under Article 2, Paragraph 14 of the

Payment Services Act and other applicable laws and regulations.

24. "Wallet" means a service designated by the Market Administrator for receiving, storing, displaying, and sending [NFT Name] and Cryptoasset.
25. "Wallet Address" means the address assigned by the Wallet to manage or store [NFT Name] and other Cryptoasset.

Article 3 Consent to the Terms

1. The purpose of the Terms is to establish the terms and conditions for the use of the Service between the Market Administrator and Users and shall apply to all matters related to the use of the Service.
2. Users must consent to the Terms before using the Service and shall comply with the provisions set forth herein. By using the Service, Users shall be deemed to have agreed to the Terms.

Article 4 Content of the Service

1. The Service is a marketplace that provides ... of [NFT Name] and provides information related to ... of [NFT Name] or ... of Listed Products.
2. On the Market, Primary Sales Transactions are conducted between the Primary Seller and the Primary Purchasers, while Interpersonal Transactions are conducted between the Ultimate Holders and the Subsequent Purchasers. Any ... on the Market shall be conducted at the sole responsibility of the Primary Seller and Users, and shall not be conducted by the Market Administrator. In the event of any dispute arising in relation to [NFT Name] issued by the Primary Seller or the Target Product,
3. Notwithstanding the provisions of the preceding paragraph, the Market Administrator may ... in relation to disputes between the Primary Seller and Users.
4. The Market Administrator may, at its discretion, add ancillary services to or change the contents of the Service without prior notice to Users. Users shall use the Service after consenting to the Terms applicable to the Service after such addition or change.
5. The Market Administrator may, at any time and without prior notice, suspend or terminate the provision of part or all the Service to specific or all Users.
6. When making any changes to, suspending or terminating part or all of the Service, the Market Administrator shall provide information to Users via

Article 5 Software, etc. for Using the Service

1. In order to use the Market and the Service, ... is required.

2. Transactions on the Market are conducted via the blockchain of [Available Blockchain Name]. For transactions on the Market, XX must be used as a Wallet. Each time the Primary Seller and Users conducts a transaction on the Market, it shall be deemed that they have consented to their Wallet Address of [Available Blockchain Name] being publicly disclosed to other Users and third parties.
3. The Market Administrator neither owns nor manages XX used for transactions on the Market, and shall bear no responsibility for any damages, etc. arising from the negligence of the third party offering XX. Furthermore, the Market Administrator shall not be responsible for any damages arising from the operation or use of the products of a third party, regardless of whether or not such third party is involved.
4. Users shall be solely responsible for ensuring the security of XX's Wallet and any other digital wallets used on the Market.

Article 6 Registration of User Information

1. Users shall complete ... in accordance with the prescribed procedures of the Market when using the Service.
2. Users shall enter true and up-to-date information when registering their user Information. Additionally, if there are any changes to the registered information, Users shall register the changed information in accordance with the prescribed procedures without delay.
3. In the event that a notification from the Market Administrator or the Primary Seller fails to reach a User due to errors, false information, or outdated data in the registered User Information, such notification shall be deemed to have duly delivered at the time it would have normally been expected to reach the User. Users shall bear the full responsibility for any damage or disadvantages arising from ...
4. The Market Administrator shall not be liable for any damages incurred by Users due to the use of their registered ... by a third party or due to inaccuracies in the registered information, except in cases where such damages arise from the Market Administrator's willful misconduct or gross negligence.

Article 7 Notification

1. Notifications from the Market Administrator to Users regarding the Service shall be made via ...
2. Users agree in advance that when the Market Administrator sends a notification via ..., such notification shall be deemed to have been received by Users at ...

Article 8 Communication and Advertising

1. The Market Administrator may contact Users via ... for the purpose of
2. The Market Administrator shall conduct communications under the preceding paragraph in compliance with the Privacy Policy, applicable laws, and regulations.

Article 9 Termination of [NFT Name]

1. The Market Administrator may ... if [NFT Name] has been or is likely to be used for criminal activities, or if [NFT Name] is likely to be used in a manner contrary to public order and morals, or if the Market Administrator determines, or if the Market Administrator, based on reasonable grounds, determines that it is extremely inappropriate. Users shall purchase [NFT Name] upon prior understanding and acceptance of ... If [NFT Name] is terminated pursuant to this paragraph, the Right to Claim Delivery shall also be terminated.
2. The Market Administrator shall compensate the Ultimate Holder for ... if ... Such compensation shall not preclude ...
3. The compensation stipulated in the preceding paragraph shall be paid by the Market Administrator via ...

Article 10 Commissions

1. The Primary Seller shall pay a sales commission determined by the Market Administrator, based on the sale price of [NFT Name], when a Primary Sales Transaction is successfully completed on the Market.
2. The Subsequent Purchaser shall pay a sales commission directly to the Market Administrator, as determined by the Market Administrator, based on the sale price of [NFT Name], when an Interpersonal Transaction for value is successfully completed on the Market.

Article 11 Cancellation

After a market transaction of [NFT Name] has been successfully completed on the Market, the Purchaser may not cancel the transaction for the Purchaser's convenience.

Article 12 Prohibitions

1. Users shall not engage in any of the following acts or any acts that may fall under the following categories when using the Service:

- (1) Acts that violate laws, regulations, ordinances, etc., or acts that are contrary to public order and morals.
...
 - (2) Acts of jointly engaging in any of the acts listed in the preceding items with a third party or acts of inciting or assisting a third party in engaging in such acts.
 - (3) Any other acts that the Market Administrator, based on reasonable grounds, determines to be significantly inappropriate.
2. If a User is found to have engaged in any of the prohibited acts set forth in the preceding paragraph, the Market Administrator may ... Furthermore, if the Market Administrator incurs any damages because of any of the acts listed in the preceding paragraph, the Market Administrator may claim compensation from the User for the damages suffered.

Article 13 Suspension or termination of services

1. The Market Administrator may suspend or terminate the Services, and Users shall consent to this in advance. However, when terminating, changing or suspending the Service, the Market Administrator shall ...
2. If the Service is suspended or terminated, Users shall immediately be unable to use the Service.

Article 14 Personal Information

The Market Administrator shall handle personal information registered by Users in connection with the use of the Service in accordance with the Privacy Policy, which is separately established and publicly disclosed.

Article 15 Intellectual Property Rights, etc.

All intellectual property rights, etc. related to the Service shall belong to the Market Administrator, Primary Sellers, and other rightful owners such as copyright holders, and Users are not granted any rights beyond those explicitly permitted under the Terms.

Article 16 Disclaimer

1. To the maximum extent permitted by applicable laws and regulations, the Market Administrator shall not be liable for any kind of damages suffered by Users arising from the following:
 - (1) The inability to provide all or part of the Service.

...

2. The Market Administrator's responsibility shall be limited to making reasonable efforts to provide the Service, and the Market Administrator makes no warranties regarding ...
3. The Market Administrator shall bear no responsibility for any costs, troubles, disputes or other issues arising from the transfer of [NFT Name] to a third party on marketplaces other than the Market.
4. The Market Administrator does not guarantee that emails or content sent from the Market Administrator's web pages, servers, or domains, etc. are free from viruses or other harmful materials.
5. The Market Administrator shall not be liable in the event that ... arising from malfunctions in payment services, except in cases where such issues are attributable to the Market Administrator.
6. Users shall bear full responsibility for any damages arising from their violation of the Terms.
7. In addition to the preceding paragraphs, except as otherwise provided in the Terms or in cases where the Market Administrator is responsible for such damages, the Market Administrator shall not be liable for any damages or disadvantages suffered by Users due to their use of the Services.

Article 17 Indemnification

1. Users and Purchasers shall, upon request by the Market Administrator, defend, indemnify and hold harmless ... from and against any and all claims, demands, liabilities, obligations, damages, losses, costs and expenses (Including reasonable attorneys' fees.) arising out of or in connection with third-party claims related to the following:
 - (1) Users' or Purchasers' use or misuse of the Market or the Service.
 - (2) Users' or Purchasers' violation of the Terms.
 - (3) Users' or Purchasers' infringement of third-party rights (including, but not limited to, intellectual property rights, data protection rights, and privacy rights.)
2. The Market Administrator reserves the right to control the defense and resolution of any third-party claims referred to in the preceding paragraph. Users or Buyers (as applicable) shall cooperate with the Market Administrator in asserting any available defenses.

Article 18 Governing Law and Jurisdiction

These Terms shall be construed in accordance with the laws of Japan. In the event that litigation becomes necessary in relation to the Terms, the XX District Court shall have exclusive jurisdiction as the court of first instance.

Article 19 Validity of the Terms

1. In the event that any provision of the Terms is deemed invalid or unenforceable pursuant to applicable laws, the remaining provisions shall continue to be valid and enforceable and shall not be affected or impaired by such illegality, invalidity, or unenforceability.
2. Where any provision of the Terms is deemed invalid or revoked with respect to a specific User, the Terms shall remain valid and enforceable with respect to all other Users.

Article 20 Amendments to the Terms

In the event of any amendments to the Terms, the Market Administrator shall notify Users in accordance with the prescribed method, such as posting the updated Terms on the Market Administrator's website, taking into consideration the impact and operational status, of the Service, etc. The revised Terms shall become effective either after a specified notice period has elapsed or at the time the User uses the Service after such notification, whichever occurs earlier.